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No. 03-409

Supreme Court, U.S.
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IN THE

Supreme Court of the United States

KP PERMANENT MAKE-UP, INC.,

Petitioner,

v.

LASTING IMPRESSIONS I, INC. and
MCN INTERNATIONAL, INC.,

Respondents.

ON WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE NINTH CIRCUIT

BRIEF OF PRIVATE LABEL MANUFACTURERS ASSOCIATION AS AMICUS CURIAE IN SUPPORT OF PETITIONER

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QUESTION PRESENTED

This Court, by order dated January 9, 2004, granted certiorari on the following question:

> Does the classic fair use defense to trademark infringement require the party asserting the defense to demonstrate an absence of likelihood of confusion, as is the rule in the Ninth Circuit, or is Fair Use an absolute defense, irrespective of whether or not confusion may result, as is the rule in other Circuits?

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PRELIMINARY STATEMENT

Pursuant to Rule 37 of the Supreme Court Rules, Private Label Manufacturers Association ("PLMA"), with the consent of the parties, submits this brief as *amicus curiae* in support of reversal of the order and decision of the Court of Appeals for the Ninth Circuit.[1]

INTEREST OF *AMICUS CURIAE*

PLMA is a trade association representing over 3,200 companies involved in the manufacture and distribution of private label or store brand products, *i.e.*, items sold under a retailer's or wholesaler's brand name in supermarkets, drug chains and mass merchandisers throughout the United States.[2] Store brand products include: over-the-counter drugs, health and beauty care items, packaged and processed foods, beverages, snacks, household cleaners, outdoor and leisure products, auto aftercare and a wide range of other general merchandise.

Store brand products represent a significant factor in the marketplace. Many retail food and drug chains and mass merchandisers routinely offer store brand counterparts alongside national brand products. Today's consumers are

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1. The parties have consented to the filing of this brief. Their letters of consent are on file with the Clerk of the Court. This brief has been authored in its entirety by undersigned counsel for the *amicus curiae*. No person or entity, other than the named *amicus* and their counsel, made any monetary contribution to the preparation and submission of this brief.

2. The relevant products are hereafter collectively referred to as "store brand" products.

highly aware of and are purchasing substantial quantities of store brand products as alternatives to nationally branded products.[3] In a 2001 consumer poll conducted by the Gallup organization, 66 percent of the respondents stated that they were more aware of store brands at supermarkets today than five years ago, while 72 percent expressed more awareness of store brands at drug stores and large discount chains. PLMA Gallup Report, Store Brands Come Of Age: PLMA's New Study of Consumer Attitudes Toward Private Label, conducted by The Gallup Organization 10 (2001). 85 percent of respondents answered that they purchase store brands at supermarkets occasionally, regularly or frequently, with

3. Federal Courts have taken notice of the burgeoning private label industry. In *Conopco, Inc. v. May Dep't Stores Co.*, 46 F.3d 1556 (Fed. Cir. 1994), the Federal Circuit noted consumer awareness of store brand products in the marketplace as follows:

> This is a case in which a retailer markets a national brand product and at the same time markets its own private label product in direct competition. The retailer packages its product in a manner to make it clear to the consumer that the product is similar to the national brand, and is intended for the same purposes. At the same time, the retailer clearly marks its product with its private logo, and expressly invites the consumer to compare its product with that of the national brand, by name.
>
> With the rise of regional and national discount retailers with established names and logos, retailers who market both national brands and their own private label brands in direct competition, this form of competition has become commonplace and well-known in the marketplace.

46 F.3d at 1565.

59 percent answering regularly or frequently. *Id.* at 7. Furthermore, 90 percent of respondents answered that more than 20 percent of their supermarket purchases are store brand products, with nearly one-third stating that over half their purchases are store brands. *Id.* at 8. Consumers' satisfaction with the store brand options available to them is reflected in 70 percent of respondents answering that the quality of store brands at the supermarket where they shop is better or the same as the national brands available. *Id.* at 15.

Reflecting this consumer awareness and acceptance are the high levels of sales of store brands in supermarkets, drug chains and mass retailers. For the fifty two week period ending December 29, 2002, store brands accounted for $41.9 billion in supermarket sales (16.3% of the supermarket total dollar sales) and 20.8% of supermarket unit sales. PLMA's 2003 Private Label Yearbook: A Statistical Guide To Today's Store Brands 3 (2003) (based upon statistics compiled by Information Resources, Inc.). At drug chains, store brands accounted for $3.5 billion in sales (10.6% of drug chain total dollar sales) and 11.9% of unit sales. PLMA's 2003 Private Label Yearbook at 4. Overall, for all supermarkets, drug chains and mass retailers in the United States,[4] store brands accounted for $47.1 billion in annual sales (15.2% of total annual sales) and 19.6% of total unit sales – approximately one out of every five products sold at these stores were store brands. PLMA's 2003 Private Label Yearbook at 6.

From the consumers' point of view, store brands represent substantial savings for products of comparable or superior quality and performance to the leading national brands. A 2003 study by ACNielsen found that, on average,

4. Excluding Wal-Mart.

store brand products offer U.S. consumers a savings of 31 percent as compared to comparable national brand products. ACNielsen, The Power of Private Label: A Review of Growth Trends Around the World 17 (2003).

Amicus PLMA has a direct and substantial interest in the preservation of open, competitive markets in which manufacturers may offer consumers quality goods at reasonable prices as an alternative to nationally branded products. With respect to the legal question before this Court, PLMA's *amicus curiae* submission is intended to support a competitive marketplace by ensuring a free flow of educational product information to the consumer and to demonstrate the need for this Court to resolve the existing conflict in the circuits by ruling that the classic fair use defense may be successfully raised without the need to prove absence of likelihood of confusion, a conclusion which is consistent with a plain reading of the Lanham Act, the rationale of the classic fair use defense, and trademark law policy.

SUMMARY OF ARGUMENT

PLMA submits this *amicus curiae* brief in support of reversal of the order and decision of the Ninth Circuit which ruled that the classic fair use defense to trademark infringement, as set forth in Section 33(b)(4) of the Lanham Act, can only be successfully raised in the absence of likelihood of confusion.

Trademark law is intended to help fulfill Congress' policy of promoting invention while preserving free competition. Trademark law serves this policy through its threefold goal of (1) protecting consumers from confusion as to the source of a product, (2) protecting manufacturer's from having their

good will and reputation usurped or harmed by counterfeiting or palming off and (3) fostering competition by promoting the free flow of information in the marketplace. Trademark law has never been intended to hinder competition or grant monopoly power.

It is essential that this Court reiterate these well established principles and protect the public interest by ensuring that consumers are provided with the broadest possible educational product information. The classic fair use defense is designed to promote the free flow of information by allowing competitors to use words and phrases trademarked by others to accurately describe their own products. Thus, the classic fair use defense ensures that a consumer will have available sufficient educational information so that the consumer may make informed decisions in the selection of a particular product from among the numerous similar choices available in the marketplace.

Holding that the classic fair use defense is available only when the party asserting the defense has proven the absence of likelihood of confusion substantially and erroneously restricts this defense and the free flow of information which the defense is intended to promote. By increasing the risk of liability to a manufacturer who in good faith truthfully uses a trademarked phrase to describe its own product, the Ninth Circuit's holding impedes consumers' access to educational information required to compare competing products in a manner which is easy to understand and ultimately useful to them. In this way, the Ninth Circuit's holding hinders competition – a result which is in direct conflict with the stated goals of trademark law.

PLMA, as *amicus curiae*, respectfully submits that the Ninth Circuit's holding amounts to improper judicial legislation by reading into the Lanham Act an additional element of the defense which is not expressly provided by Congress. Further, the Ninth Circuit's holding improperly shifts the burden of proof on the issue of likelihood of confusion from the plaintiff to the defendant. Finally, by creating a scheme where the classic fair use defense can only be raised when there is no likelihood of confusion, the Ninth Circuit has effectively eviscerated the defense – the defense will only be available in the precise situation where it is not necessary, when the plaintiff has been unable to prove an essential element of trademark infringement, to wit, likelihood of confusion.

ARGUMENT

POINT I

THE GOALS OF TRADEMARK LAW

Although the granting of monopoly rights is generally disfavored as being anti-competitive,[5] the quasi-monopoly rights in an identifying mark granted by the Lanham Act serve to fulfill Congress' policy with respect to patent, trademark and copyright law, continuously reaffirmed by this Court, of "promot[ing] invention while at the same time preserving free competition." *Sears, Roebuck & Co. v. Stiffel Co.*, 376 U.S. 225, 230-31 (1964); *accord*, *Bonito Boats, Inc. v. Thunder Craft Boats, Inc.*, 489 U.S. 141, 144 (1989);

5. *See United States v. Topco Assocs., Inc.*, 405 U.S. 596, 610 (1972), characterizing the antitrust laws as the "Magna Carta of free enterprise."

Park 'N Fly, Inc. v. Dollar Park and Fly, Inc., 469 U.S. 189, 193 (1985). Trademark law benefits society by creating a fair and competitive marketplace in three ways: (1) protecting consumers from confusion and deception as to the source of competing products, (2) protecting a manufacturer's reputation and good will from being usurped by counterfeiting or palming off and (3) fostering competition by avoiding monopolization and promoting the free flow of information and ideas in the marketplace. *Qualitex Co. v. Jacobson Prods. Co.*, 514 U.S. 159, 163-64 (1995); *Two Pesos, Inc. v. Taco Cabana, Inc.*, 505 U.S. 763, 782 n.15 (1992) (Stevens, J. concurring) (quoting S. Rep. No. 79-1333, at 3 (1946)).

A. Trademark Law Aims To Protect The Consumer From Confusion As To The Source Of Competing Products

The ultimate aim of trademark law is the protection of the consumer from confusion. *Bonito Boats*, 489 U.S. at 157 (1989) (focus is on consumer protection); J. Thomas McCarthy, McCarthy on Trademarks and Unfair Competition § 1.01[2], at 1-6 (3d ed. 1995) (aim of unfair competition law is protection of consumer from confusion, mistake and deception in commerce). Trademarks act as a source identifier for a particular product or family of products, thereby allowing consumers to "be confident that, in purchasing a product bearing a particular trade-mark which it favorably knows, it will get the product which it asks for and wants to get." *Two Pesos*, 505 U.S. at 782 n.15 (Stevens, J. concurring) (quoting S. Rep. No. 79-1333, at 3 (1946)).

Trademarks that function as a source indicator may inform consumers as to different product characteristics,

including source, price, quality and type of product. *Qualitex*, 514 U.S. at 163-65. Misperceptions as to any of these may result in confusion, and harm the deceived consumers financially, physically or otherwise. *Id.* at 164-65.

B. Trademark Law Secures A Manufacturer's Good Will And Reputation

A trademark's function as a source identifier also helps to protect manufacturers. As the Senate commented upon the passage of the Lanham Act, "'where the owner of a trademark has spent energy, time and money in presenting to the public [a] product, he is protected in his investment from its misappropriation by pirates and cheats." *Two Pesos*, 505 U.S. at 782 n.15 (Stevens, J. concurring) (quoting S. Rep. No. 79-1333, at 3 (1946)). By ensuring that a competitor cannot pass off his goods as that of another, trademarks help protect the reputation and good will a manufacturer has built up through the consistent quality of its products against diversion from counterfeiters. *Id.* In this way, trademark law helps to promote innovation in the marketplace.

C. Trademark Law Fosters Competition By Avoiding Monopolization And Promoting The Free Flow Of Information And Ideas In The Marketplace

However, unfair competition law is not, and was never intended to be, used as an anti-competitive device to prevent or handicap new market entrants. *Publications Int'l, Ltd. v. Landoll, Inc.*, 164 F.3d 337, 340 (7th Cir. 1998), *cert. denied*, 526 U.S. 1088 (1999); *Wallace Int'l Silversmiths, Inc. v. Godinger Silver Art Co., Inc.*, 916 F.2d 76, 81 (2d Cir. 1990), *cert. denied*, 499 U.S. 976 (1991); *Stormy Clime Ltd. v. ProGroup, Inc.*, 809 F.2d 971, 978 (2d Cir. 1987); *Crescent*

Tool Co. v. Kilborn & Bishop Cop., 247 F. 299, 301 (2d Cir. 1917) (Hand, C.J.). Rather, trademark law is designed to encourage competition by avoiding monopolization and promoting the free flow of information in the marketplace. *Qualitex*, 514 U.S. at 168-70; *Sears, Roebuck & Co.*, 376 U.S. at 230-31; *Compco Corp. v. Day-Brite Lighting, Inc.*, 376 U.S. 234 (1964).

Monopolization by a dominant market participant can harm the consumer by increasing costs and limiting product choice and availability. Accordingly, it has long been the rule that established market manufacturers cannot use their dominant position in the market to exclude new entrants. *Crescent Tool*, 247 F. at 301. "It is a first principle of trademark law that an owner may not use the mark as a means of excluding competitors from a substantial market." *Wallace Int'l Silversmiths*, 916 F.2d at 81; *Stormy Clime*, 809 F.2d at 978. Trademark law, therefore, should not be applied so as to permit an entrenched manufacturer to obtain an unfair competitive position by prohibiting a competitor from accurately describing its competing product.

POINT II

THE NINTH CIRCUIT HAS IMPROPERLY RESTRICTED THE CLASSIC FAIR USE DEFENSE

A. The Classic Fair Use Defense

> It is a fundamental principle marking an outer boundary of the trademark monopoly that, although trademark rights may be acquired in a word or image with descriptive qualities, the acquisition of such rights will not prevent others from using the word or image in good faith in its descriptive sense, and not as a trademark.

Car-Freshener Corp. v. S.C. Johnson & Son., Inc., 70 F.3d 267, 269 (2d Cir. 1995); *Sands, Taylor & Wood Co. v. Quaker Oats Co.*, 978 F.2d 947, 951 (7th Cir. 1992) ("no one should be able to appropriate descriptive language through trademark registration"); *Radio Channel Networks, Inc. v. Broadcast.com, Inc.*, No. 98 Civ. 4799, 1999 WL 124455, at *3 (S.D.N.Y. March 8, 1999). This Court has long acknowledged this principle, stating in *William M. Warner & Co. v. Eli Lilly & Co.*, 265 U.S. 526 (1924), "The use of a similar name by another to truthfully describe his own product does not constitute a legal or moral wrong, even if its effect be to cause the public to mistake the origin or ownership of the product." 265 U.S. at 529.

This principle is the basis for the classic fair use defense which "permits use of a protected mark by others to describe certain aspects of the user's own goods." *EMI Catalogue Partnership v. Hill, Holliday, Connors, Cosmopulos, Inc.*, 228 F.3d 56, 64 (2d Cir. 2000); *Cosmetically Sealed Indus., Inc. v. Chesebrough-Pond's USA Co.*, 125 F.3d 28, 30 (2d Cir. 1997). This defense has been codified in section 33(b)(4) of the Lanham Act, which provides that it shall be a defense to "proof of infringement" if it can be shown

> That the use of the . . . term, or device charged to be an infringement is a use, otherwise than as a trade or service mark, . . . of a term or device which is descriptive of and used fairly and in good faith only to describe to users the goods or services of such party, or their geographic origin.

15 U.S.C. § 1115(b)(4); *see Sugar Busters LLC v. Brennan*, 177 F.3d 258, 270-71 (5th Cir. 1999); *Car-Freshener*, 70 F.3d at 269; *M. B. H. Enters., Inc. v. WOKY, Inc.*, 633 F.2d 50, 52 (7th Cir. 1980); *Soweco, Inc. v. Shell Oil Co.*, 617 F.2d 1178, 1185 (5th Cir. 1980). Although this section of the Lanham Act applies only to claims of trademark infringement against marks that have achieved incontestable status, 15 U.S.C. § 1115, the classic fair use defense at common-law has the same elements, i.e. the alleged infringer was using the protected mark (1) other than as a trademark, (2) to describe to the consumer the alleged infringer's own product and (3) such use was fair and in good faith. *EMI Catalogue*, 228 F.3d at 64; *Sugar Busters*, 177 F.3d at 270-71; *Laura Secord Candy Shops Limited v. Barton's Candy Corp.*, 368 F. Supp. 851, 853 (N.D. Ill. 1973).

In violation of the foregoing established principles, the Ninth Circuit has seen fit to add an element to the classic fair use defense in addition to those set forth in the Lanham Act and at common law. The Ninth Circuit below restricted the application of classic fair use defense only to situations where there is an absence of likelihood of confusion. *K.P. Permanent Make-Up, Inc. v. Lasting Impression I, Inc.*, 328 F.3d 1061, 1073 (9th Cir. 2003). The Ninth Circuit's formulation should not be upheld by this Court because (1) it improperly adds an element to the defense which is not set forth in the Lanham Act, (2) it improperly shifts the burden of proof on the element of likelihood of confusion to the defendant, (3) it has rendered the statutory defense moot, and (4) it is at variance with well reasoned decisions in the Second, Fourth and Fifth Circuits. *Sugar Busters*, 177 F.3d at 271; *Cosmetically Sealed*, 125 F.3d at 30; *Shakespeare Co. v. Silstar Corp. of America, Inc.*, 110 F.3d 234, 243 (4th Cir. 1997); *Car-Freshener*, 70 F.3d at 270; *Soweco*, 617 F.2d at 1189 n.30; *but, see, Zatarains, Inc. v. Oak Grove Smokehouse, Inc.*, 698 F.2d 786, 791 (5th Cir. 1983).

B. The Ninth Circuit Has Engaged In An Improper Judicial Rewriting Of Section 33(b)(4) Of The Lanham Act

The Ninth Circuit's formulation of the classic fair use defense is improper because it adds an element to the defense that is neither set forth in the statute, nor has traditionally been read into the defense at common law, i.e., the absence of likelihood of confusion. It has long been recognized that it is appropriate and proper to use words to truthfully describe one's own product, even if such words have trademark protection. In *William M. Warner & Co. v. Eli Lilly & Co.*, this Court specifically noted that "the use of a similar name by another to truthfully describe his own product does not constitute a legal or moral wrong, *even if its effect be to cause the public to mistake the origin or ownership of the product.*" 265 U.S. at 529 (emphasis added).[6] This principle has been followed by the Second, Fourth and Fifth Circuits. *E.g.*, *Sugar Busters*, 177 F.3d at 271; *Cosmetically Sealed*, 125 F.3d at 30; *Soweco*, 617 F.2d at 1189 n.30.

By judicially adding an element to the classic fair use defense, the Ninth Circuit has engaged in an improper judicial rewriting of the Lanham Act. Such judicial legislation is disfavored by this Court. *United States v. Aguilar*, 515 U.S. 593 (1995); *Burns v. U.S.*, 501 U.S. 129 (1991). The appropriate judicial function, in the words of Justice Stevens, "is simply to adopt a literal, reasonable

6. Although the Court in *Warner* did not identify the classic fair use defense by name, it is clear that the Court was considering a situation identical to that in which the defense should be raised, i.e., where a defendant to a claim of trademark infringement has used words similar to another's trademark to accurately describe its own product in good faith.

construction of the text that Congress drafted." *United States v. Aguilar*, 515 U.S. at 609 (concurring in part, dissenting in part).

C. By Adding The Absence Of Likelihood Of Confusion As An Element Of The Classic Fair Use Defense, The Ninth Circuit Has Improperly Shifted The Burden Of Proof On The Issue Of Likelihood Of Confusion To The Defendant

The Lanham Act specifically provides that proof of infringement requires a showing of "likelihood to cause confusion, or to cause mistake, or to deceive." 15 U.S.C. §§ 1114(a)(1) and (2). As a required element of trademark infringement, the burden is on the plaintiff to prove that a likelihood of confusion exists as a result of the allegedly infringing use. *The Sports Authority, Inc. v. Prime Hospitality Corp.*, 89 F.3d 955, 960 (2d Cir. 1996); *Lindy Pen Company, Inc. v. Bic Pen Corp.*, 725 F.2d 1240, 1243 (9th Cir. 1984). Only when infringement is established is it necessary to consider the defense of fair use. There is nothing to be found in the Lanham Act which requires that the burden of proving absence of likelihood of confusion shifts to the defendant

As with all affirmative defenses, a defendant normally bears the burden of proving all of the elements to the classic fair use defense. *Venetianaire Corp. v. A & P Import Co.*, 429 F.2d 1079, 1082 (2d Cir. 1970) ("defendant has not been able to establish that such use was nevertheless within the purview of the defense claimed"); *Burger King Corp. v. Pilgrim's Pride Corp.*, 705 F. Supp. 1522, 1529 (S.D. Fl. 1988), *aff'd*, 894 F.2d 412 (11th Cir. 1990); Restatement (Third) of Unfair Competition, § 28, Reporter's Note,

cmt. b (1995). Thus, by ruling absence of likelihood of confusion to be an element to the classic fair use defense, the Ninth Circuit appears to have effectively shifted the burden of proof on the issue of likelihood of confusion from the plaintiff to the defendant. This is not a proper result under the language of the Lanham Act and long established case law.

D. The Ninth Circuit's Formulation Of The Classic Fair Use Defense Renders The Defense Moot By Making It Effective Only When The Plaintiff Has Failed To Prove Its *Prima Facie* Claim

By allowing the classic fair use defense only when there is no likelihood of confusion, the Ninth Circuit has created a scheme which effectively renders the defense moot. In the Ninth Circuit, the only situation in which a defendant may successfully raise the classic fair use defense is precisely the situation where the defendant need not raise it, i.e., where the plaintiff cannot succeed on the merits of an infringement claim for lack of proof of likelihood of confusion. It would be superfluous for the defendant to raise the classic fair use defense when the plaintiff has failed to prove his *prima facie* claim.[7] *Shakespeare Co.*, 110 F.3d at 243 (holding that it

7. Indeed, the Ninth Circuit's own opinion in *Lindy Pen Company, Inc. v. Bic Pen Corp.*, 725 F.2d 1240 (9th Cir. 1984) highlights the illogic in the present case of the Ninth Circuit's formulation of the classic fair use defense. At the outset the *Lindy Pen* Court expressly holds that "there can be no liability for trademark infringement ... in the absence of likelihood of confusion." 725 F.2d at 1247. However, a few paragraphs later, the *Lindy Pen* Court refuses to accept the classic fair use defense "where likelihood of confusion has been shown." *Id.* Clearly, under the Ninth Circuit's interpretation, the only time the classic fair use defense will be accepted is when the plaintiff has failed to prove infringement. That is, in reality, no defense at all.

defies logic to allow the classic fair use defense only when there is no likelihood of confusion because "a defense which can be considered only when the *prima facie* case has failed is no defense at all"); *Soweco*, 617 F.2d at 1189 n.30 (to hold that the classic fair use defense can only be raised in the absence of likelihood of confusion "would effectively eviscerate the fair-use defense"). This Court has consistently held that it is a "'cardinal principle of statutory construction' that 'a statute ought, upon the whole, to be so construed that, if it can be prevented, no clause, sentence, or word shall be superfluous, void, or insignificant.'" *TRW Inc. v. Andrews*, 534 U.S. 19, 31 (2001) (citation omitted); *accord*, *Alaska Dep't of Envtl. Conservation v. Envtl. Protection Agency*, 124 S. Ct. 983, 1002 n.13 (2004); *Dole Food Co. v. Patrickson*, 538 U.S. 468, 123 S. Ct. 1655, 1661 (2003); *United States v. Powers*, 307 U.S. 214, 217 (1939). The Ninth Circuit ruling below violates this principle.

E. The Ninth Circuit's Formulation Of The Classic Fair Use Defense Is At Odds With The Well Reasoned Decisions Of The Second, Fourth And Fifth Circuits

The Second, Fourth and Fifth Circuits all take the more commonsensical view that the classic fair use defense is available even when the competing use presents a likelihood of confusion, a view consistent with established trademark principles.[8] *Sugar Busters*, 177 F.3d at 271; *Cosmetically*

8. This Court's decision in *Park 'N Fly, Inc. v. Dollar Park And Fly, Inc.*, 469 U.S. 189 (1985), although cited by the Ninth Circuit below in regards to an ancillary issue, is in no way inconsistent with the Second, Fourth and Fifth Circuit's holdings described herein. Indeed, *Park 'N Fly* does not deal with the classic fair use defense at all. Rather, *Park 'N Fly* holds, among other things, that an incontestable mark may not be challenged as being merely descriptive. 469 U.S. at 196. However, this holding does not preclude the use of

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Sealed, 125 F.3d at 30; *Shakespeare Co.*, 110 F.3d at 243; *Car-Freshener*, 70 F.3d at 270; *Soweco*, 617 F.2d at 1189 n.30; Restatement (Third) of Unfair Competition § 28, cmt. b. (1995) ("the fair use defense recognized in this Section can be applicable even if the trademark owner presents evidence sufficient to prove likelihood of confusion"); *but see*, *Zatarains*, 698 F.2d at 791. These Circuits correctly hold that if some residual confusion is caused by the competing fair use, that is the risk the markholder accepted by adopting a mark with descriptive qualities. *Cosmetically Sealed*, 125 F.3d at 30; *Car-Freshener*, 70 F.3d at 270; *Soweco*, 617 F.2d at 1189 n.30.

It should be noted that these Circuits do not completely ignore likelihood of confusion when determining the validity of the classic fair use defense. Rather, these Courts consider whether the defendant intended to create confusion or to trade upon the good will of the trademarked product as part of the analysis of defendant's good faith. *EMI Catalogue*, 228 F.3d 66-67 (evidence showing that defendant intended to use the mark to confuse the public as to the source of product demonstrates the use was in bad faith, and thus, the classic

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(Cont'd)

the classic fair use defense when there is likelihood of confusion. The classic fair use defense does not attack the mark itself for being descriptive, but rather, protects the alleged infringer who is using the mark in good faith to *describe his own products*. This issue was not broached in *Park 'N Fly*. Nor would a claim of classic fair use defense be expected in that case. In *Park 'N Fly*, inasmuch as the defendant had used the trademarked term "Park 'N Fly" as part of the name identifying his business "Dollar Park 'N Fly", it is clear that defendant was not using the trademark to describe his product, but rather, as a trademark. 469 U.S. at 660. Such use is clearly outside the scope of the classic fair use defense.

fair use defense is not available); *see Shakespeare Co.*, 110 F.3d at 243. The First and Seventh Circuits have adopted similar practices. *Leathersmith of London, Ltd. v. Alleyn*, 695 F.2d 27, 31 (1st Cir. 1982) (defendant had used a competing mark in good faith, and therefore was entitled to the classic fair use defense, where "there [was] no evidence of any intent to deceive customers or to appropriate plaintiff's good will"); *M.B.H. Enterprises*, 633 F.2d 52 (upholding the classic fair use defense because defendant had acted fairly and in good faith where the evidence showed that "it had no desire to confuse or mislead the public"); *cf.*, *Sunmark, Inc. v. Ocean Spray Cranberries, Inc.*, 64 F.3d 1055, 1059 (7th Cir. 1995) (examining likelihood of confusion to determine whether the mark was being use as a mark).

This view is entirely consistent with the Lanham Act's goal of protecting the consumer from being deceived by counterfeiters and with the text of the act itself. Use of another's mark with the demonstrated intent to confuse the public and to trade upon the markholder's good will is not fair and in good faith, and thus, would not be protected by the classic fair use defense.

The Ninth Circuit, however, goes too far by holding that any finding of likelihood of confusion prevents a defendant from raising the classic fair use defense. Such a flat out ban of the defense where there is likelihood of confusion created even by a good faith use is improper.

POINT III

THE CLASSIC FAIR USE DEFENSE UPHOLDS THE GOALS OF TRADEMARK LAW BY HELPING TO FOSTER THE FLOW OF INFORMATION IN THE MARKETPLACE, THEREBY HEDGING AGAINST THE POTENTIALLY ANTI-COMPETITIVE EFFECTS OF TRADEMARK REGISTRATION

The classic fair use defense helps to foster competition and the free flow of information in the marketplace by protecting "the right of society to use words or images in their primary descriptive sense, as against claims of a trademark owner to exclusivity," including use of trademarked terms in commercial communication to accurately describe competing products. *Car-Freshener*, 70 F.3d at 269; *accord*, *Sugar Busters*, 177 F.3d at 271; *Soweco*, 617 F.2d at 1185 (the defense "forbids a trademark registrant to appropriate a descriptive term for his exclusive use and so prevent others from accurately describing a characteristic of the good"); *United States Shoe Corp. v. Brown Group, Inc.*, 740 F. Supp. 196, 199 (S.D.N.Y. 1990). By allowing competitors to use trademarked words and phrases to accurately and in good faith describe their own products, the defense helps to ensure that all competitors in the marketplace can easily and efficiently explain the significant characteristics of their products to consumers, enabling consumers to make educated and informed decisions as to which product they wish to purchase from among myriad competing brands. "The free flow of information regarding the substitutability of products is valuable to individual consumers and to society collectively, and by providing it a supplier engages in fair competition based on those aspects

– for example, price – in which the products differ." *American Home Prods. Corp. v. Barr Labs., Inc.*, 656 F. Supp. 1058, 1067 (D. NJ 1987).

In the realities of the competitive marketplace, be it a supermarket, drug store or other retail outlet, a product only has a few seconds to capture the eye of the consumer and to provide through product shape, color, and descriptive words information as to its type, nature and function. Restrictions on such communication hampers consumer choice and inhibits competition. A limitation on such communication may well cause the consumer to pass over a product and select a competing product that bears a more recognizable brand name or product appearance. There are only a limited number of means by which the appearance of a product can serve to educate the consumer. While the size, shape and color of a product's label and packaging can serve educational functions,[9] arguably the most effective tool for educating consumers is the presence of words and phrases on product packaging describing the product and its functionality. Given the short amount of time within which the product communicates its message to the consumer, such descriptive words and phrases cannot be overly complicated or technical. Rather, such words and phrases must be relatively common so that consumers will instantly identify and understand the descriptions and the characteristics to which they refer.

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9. As the District Court of New Jersey lucidly stated in *American Home Products*, "The resemblance between two products can alert consumers to the functional or utilitarian equivalence between them, to the fact that one product may be substituted for the other in the ultimate use for which the products are intended." 656 F. Supp. at 1067.

If not for the classic fair use defense safeguarding competitors' use of trademarked phrases to accurately describe their own products, trademark holders would be given an unfair and unauthorized ability to control truthful descriptions of competing products. Restricting the use of common descriptive phrases, despite the words' accuracy in describing the competing products, would force competitors to resort to other language that may not be as easily recognizable to consumers and therefore, would hinder the consumer educational process. Consumers confronted with complex descriptions will thus be deprived of information and may be forced to, instead, choose the product with the more familiar brand name or appearance. The trademark will have thus hindered competition and limited consumer choice.

The need for consumer education about a product is amplified when consumers are confronted with store brands alongside nationally known brands. Consumers often have automatic brand recognition of national brand name products, allowing them to quickly and easily identify these products and their characteristics. With store brands, consumers have no such instant name recognition. Without such a built-in product identifier, consumers must be educated as to the characteristics and functionality of the store brand products at the *point of purchase* in order for the consumer to obtain the benefit of competition that store brands provide. If store brands were restricted from using common descriptive words and phrases to educate consumers about their products, and how their products compared to the major national brands, consumers would have little or no information as to the product choices available to them. By ensuring that newer market participants are able to accurately describe their products, entry of new products and new manufacturers into

the marketplace is encouraged. Permitting truthful use of words and phrases describing such products even if such language is the subject of a trademark is essential.

POINT IV

REQUIRING AN ABSENCE OF LIKELIHOOD OF CONFUSION FOR THE CLASSIC FAIR USE DEFENSE WILL HAVE A CHILLING EFFECT ON THE ABILITY OF MANUFACTURERS TO EDUCATE CONSUMERS ABOUT THEIR PRODUCTS

As provided in the Lanham Act, the classic fair use defense is a key safeguard against the potential anti-competitive effects inherent in trademark law. The severe restriction engrafted on this defense by the Ninth Circuit is clearly not in the best interests of the consuming public. In order for consumers to be given the full benefits of competition, including enhanced product innovation and lower prices, manufacturers must be able to present as much educational information as possible, as long as such information is accurate. As provided in the Lanham Act, and as interpreted by the Second Circuit in *Cosmetically Sealed*, the classic fair use defense allows just that. However, the Ninth Circuit's formulation of the defense accomplishes just the opposite – it limits the language available to manufacturers for describing their product and thus negatively impacts the educational product information available to consumers in the marketplace.

Restricting the classic fair use defense to situations only where there is an absence of likelihood of confusion necessarily increases the risk of liability facing a manufacturer who uses a phrase trademarked by another not

as a trademark, but rather, to accurately and effectively describe the characteristics and functionality of his own product. In light of this increased risk of liability, a manufacturer will likely be less willing to use common descriptive phrases which have been granted trademark protection when deciding how best to educate the consumer about its product's functions in relation to competing products. Rather, manufacturers may be forced to use less common phrases which may be either not as easily understood by the consumer or not as accurate a description of the product. The net result will be that the consumer will have less educational product information available when weighing purchasing options, and thus, the benefits of competition in the marketplace will be diminished.

CONCLUSION

For each of the foregoing reasons, this Court should reverse the order and decision below to the extent that the Ninth Circuit ruled that the classic fair use defense to a claim for trademark infringement can only be successfully raised where there is an absence of likelihood of confusion. This Court should rule that the classic fair use defense is an absolute defense which may be raised regardless of the existence of likelihood of confusion.

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